

IRS Congressional update

Published for members of Congress and their staffs



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IRS help at your fingertips

Tax Assistance — **1.800.829.1040**
7:00 a.m.–10:00 p.m., Monday through Friday

Forms/Publications —
1.800.829.3676

TeleTax — **1.800.829.4477**
Recorded tax and automated refund information

IRS Tax Fax — **1.703.368.9694**
(Dial from fax machine)

For Hearing Impaired —
1.800.829.4059

IRS on the Web — **www.irs.gov**

Taxpayer Advocate Helpline —
1.877.777.4778



A message from the Commissioner

One of the ways the IRS is working to provide service to all taxpayers is by building and maintaining partnerships with our external stakeholders, specifically Congress. I am happy to introduce you to our new quarterly *Congressional Update*, a product of our Governmental Liaison and Legislative Affairs offices. Our goal is to provide important IRS information that is useful to you and your constituents.

We touch most Americans personally, and all of America depends on us to administer the tax system fairly and honestly — serving tens of millions of compliant taxpayers and enforcing the law on those who fail to comply. And though much about the world became uncertain on September 11th, one thing is clear: the IRS mission has never been more important to the United States of America.

I believe we can steadily increase our ability to perform our vital mission with a degree of excellence that will win the support of the public and be a source of pride and satisfaction for all of us associated with the IRS. One way we can achieve this is assisting our congressional offices and improving the overall consistency of our interactions with you.

Achieving excellence in the IRS means that we never stop learning and never stop striving to improve. I hope you find our newsletter helpful. We look forward to your comments. Please share any comments or suggestions with the IRS Governmental Liaison in your state.



Charles O. Rossotti
*Commissioner,
Internal Revenue*

A message from the National Taxpayer Advocate Nina E. Olson

The Taxpayer Advocate Service (TAS) is honored to be included in the new quarterly *Congressional Update*. Through our partnership with Governmental Liaison and Legislative Affairs, TAS strives for consistency and quality in our contacts with the Congressional offices. These goals are achieved through our role as the primary contact for all congressional inquiries dealing with constituent tax account issues.

We encourage you to contact TAS directly when your constituents are experiencing a hardship or an immediate threat of adverse action. Our office can also assist in those cases where significant costs could be incurred or where a long-term adverse impact could result if relief is not granted. We can also be of assistance when a constituent has experienced a delay of more than 30 days beyond normal processing time to resolve a tax related inquiry. In

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National Taxpayer Advocate

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some cases, a response may not be received by the date promised, or perhaps there is simply a system failure in the resolution of an issue. Your Local Taxpayer Advocate can assist with these situations as well.

We will work with IRS operations to resolve these issues. We will also take what we have learned from these issues and partner with the IRS toward improving customer service, processes, and procedures.

One recent success from this partnership involved the Social Security Levy Payment Program. In this instance, I met with key executives and expressed concerns regarding the potential for hardship situations imposed through this program upon senior citizens on fixed incomes. IRS Operations was responsive to our concerns and delayed program implementation until a comprehensive outreach plan could be developed. The IRS has since issued news releases nationally, and TAS coordinated targeted outreach activities to key stakeholders at the local level, including congressional office visits.

Through successful endeavors such as this, TAS and the IRS can work together to ease the burden placed on taxpayers. Our offices look forward to helping you resolve and address your constituent's concerns

People need to act before Dec. 5 to claim millions in returned tax checks

The IRS is urging more than 390,000 Americans whose income tax refund or advance payment checks have been returned to the agency to act now so their checks can be processed and mailed to them by the end of December.

The agency's list of undelivered checks this year includes more than 295,000 advance payment checks the IRS started issuing in July. There is extra urgency for taxpayers to act quickly on these checks by Dec. 5. After that day, taxpayers can't get an advance payment check. Instead, they'll have to claim it after Jan. 1 on their 2001 tax returns.

The returned advance payment total is \$95 million — an average of \$322 per check. The returned checks represent slightly more than one-third of one percent of the more than 85 million mailed. Another 95,500 tax refunds were also returned to the IRS from this year and previous years. These regular tax refunds are worth \$88.5 million — an average of \$927 per check.

Taxpayers who think they may be missing a refund or

an advance payment check should first check their records or contact their tax preparer. If they believe they are missing a check, they should call the IRS toll-free assistance line at **1.800.829.1040**.

The Economic Growth and Tax Relief Reconciliation Act of 2001, which authorized the payments, says the checks cannot be issued after Dec. 31, 2001. That means there won't be enough time to process claims made after Dec. 5. However, those eligible for an advance payment check who don't receive it before the end of the year can claim it as a credit on their 2001 tax return starting in January.

Having tax refunds deposited directly to a bank account is the best way to ensure it goes to the right place and to guard against loss or theft. The direct deposit option was not available for advance payment checks.

There are many reasons that refund or advance payment checks might not reach taxpayers, but it's often because a life change causes an address change. If an address changes, and neither the IRS nor the U.S. Postal Service is notified, a check sent to the last known address will be returned to the IRS.

To ensure the IRS has their correct address, taxpayers who have moved since filing their last tax return are urged to file a Form 8822, Change of Address, with the IRS. The form can be downloaded from the IRS Web site at www.irs.gov or ordered by calling **1.800.829.3676**.

IRS offers electronic Installment Agreements

Beginning Jan. 11, 2002, monthly installment agreements for individuals can be made electronically. Taxpayers can use credit cards (Mastercard and Discover cards only) to make installment agreement payments to the U.S. Treasury by calling Official Payments Corporation (OPC) at **1.800.2paytax (1.800.272.9829)** or on the Internet at www.officialpayments.com.

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IRS Congressional Update is published quarterly by the IRS Office of Governmental Liaison and Legislative Affairs to keep members of Congress current with tax issues affecting their constituents. Comments or questions can be directed to your local Governmental Liaison. More information can be found at www.irs.gov/.

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Electronic Installment Agreements

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The tax payment must be no more than 3 years past due (i.e., beginning in January 2002, payments can be made for tax year 1998 or after). Taxpayers will be prompted to enter the tax period for which the tax is owed. A maximum of two installment agreement payments can be charged per month.

Free teaching resources available from IRS

The IRS has free resources available for schools in your area. Resource kits are available for students from junior high through post secondary levels.

Taxes in U. S. History is a program easily adaptable to the junior high school U. S. History curriculum. Lessons help students understand how tax policies in the past contributed to current tax policies. The kit includes student videos depicting three eras in our nation's history, a teacher's video and guide, and a classroom poster.

Understanding Taxes and *Taxes and You*, resources for high school and post-secondary students respectively, teach students about taxpayers rights and responsibilities, the economics of taxation and preparation of basic tax returns. The kits are updated annually and include lesson plans, student handouts, teacher's guide and posters.

Additionally, *Tax Interactive (TAXi)* is an on-line learning center designed to help high school students learn about their tax rights and responsibilities. The web site (www.irs.gov/taxi) has educational modules, a dictionary of tax terms, teacher's toolbox, and a *help* section for both teachers and students.

To order these free resources, contact the IRS at **1.800.829.1040** for the Stakeholder Partnerships, Education and Communication Office in your area.

Tax clinics help low-income taxpayers

The IRS has awarded \$6 million for legal assistance this year to low-income taxpayer clinics as a part of the effort to provide top quality service to America's taxpayers. This year, 102 organizations will receive funding under the program.

The Low-Income Taxpayer Clinic (LITC) grant program, now in its third year, helps organizations provide free or low-cost legal assistance to taxpayers to resolve tax disputes. A qualifying clinic may charge no more than a nominal fee for its services. Organizations operating

independent taxpayer clinics can qualify for up to \$100,000 in matching funds through the program.

This year's LITC recipients represent nonprofit organizations and accredited academic institutions from 38 states and the District of Columbia, a 24 percent increase over last year. To find out if there is a Low-Income Tax Clinic in your area, contact your local Governmental Liaison or call the Grants Administration Office at **404.338.7894** or visit www.irs.gov/.

Tax Exempt and Government Entities (TE/GE)

The TE/GE Operating Division is responsible for charitable and other tax exempt organizations, Employee Benefit Plans and Tax Compliance for Government Entities.

If you or your constituents have questions about getting or verifying tax exempt status of organizations, you can contact the toll-free customer service line or visit the web sites listed below.

- Toll-free: **1.877.829.5500** Fax: **513.263.3756**
8:00 am to 9:30 p.m. EST
- Exempt Organizations: www.irs.gov/bus_info/eo/index.html
- Employee Plans: www.irs.gov/bus_info/ep/index.html

Abusive Tax Shelters

Although there are many legitimate strategies for reducing tax liability, if the promotion sounds too good to be true, it may be an Abusive Tax Shelter.

Abusive shelters can take many forms and typically promise benefits such as: reduction or elimination of income, employment, gift, estate or excise taxes; tax deductions for personal expenses; depreciation deductions for your residence; or stepped-up basis in assets transferred to another entity. Another possible flag is use of a trust, partnership, limited liability entity or tiers of entities as a vehicle for creating abusive tax benefits.

The IRS Web site lists seven flags that serve as potential indicators of an Abusive Tax Shelter at www.irs.gov/ind_info/abuse/index.html.

Web surfers can find information on topics such as *Frivolous Filer Arguments*, which provide information and descriptions of various Abusive Tax Shelter schemes. Other topics include *What Do The Courts Say*, *Criminal Investigation Activity*, *Frequently Asked Trust Questions*, *Tax Shelter Hotline*, *Trust Brochure* and *Definition of Abusive Tax Shelter*. You can also find links to other organizations providing information on Abusive Tax Shelters.